

Message Text

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E.O. 11652: N/A

TAGS: BEXP, EEWT, YO

SUBJECT: MAJOR PROJECT: PLANT FOR THE PRODUCTION
OF ARTIFICIAL FABRIC

1. SUMMARY. A CONSORTIUM OF YUGOSLAV FIRMS, HEADED BY THE MAJOR TEXTILE COMPANY, VARTEKS, PLANS TO BUILD A NEW FACTORY TO PRODUCE ANNUALLY APPROXIMATELY 20,000 TONS OF VARIOUS TYPES OF ARTIFICIAL FABRICS (POLYESTER). VARTEKS IS SEEKING ENGINEERING AND PROJECT MANAGEMENT, PRODUCTION EQUIPMENT AND TECHNOLOGY, AND ASSISTANCE IN ARRANGING FINANCING FROM PROSPECTIVE FOREIGN PARTNERS. VARTEKS WOULD PREFER A JOINT VENTURE ARRANGEMENT, AND IS PREPARED FOR JOINT MARKETING OF FINISHED GOODS IN WESTERN EUROPE AND THE SOVIET UNION. END SUMMARY.

2. THE CONSORTIUM HEADED BY VARTEKS IS SEEKING FOREIGN PARTNER TO PARTICIPATE IN THE CONSTRUCTION OF A NEW FACTORY FOR THE PRODUCTION OF VARIOUS TYPES OF POLYESTER BASED ARTIFICIAL FABRICS. VARTEKS HAS HAD PRELIMINARY CONTACTS WITH WEST GERMAN, ITALIAN, AND JAPANESE FIRMS ABOUT PARTICIPATION IN THIS PROJECT, BUT IS ALSO STRONGLY INTERESTED IN OFFERS FROM US FIRMS.

3. THE NEW FACTORY WILL OCCUPY A 65,000 SQUARE METER SITE ADJACENT TO THE EXISTING VARTEKS INSTALLATION IN VARAZDIN. THE SISAK REFINERY OF INA (A LARGE YUGOSLAV PETROLEUM COMPANY) WILL SUPPLY POLYESTER CHIPS, THE BASIC RAW MATERIAL FOR THE NEW PLANT. THE FACTORY SHOULD HAVE THE CAPACITY TO PRODUCE ANNUALLY FOLLOWING QUANTITIES OF FABRICS:

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A) 10,000 TONS OF SEMI-POLISHED FABRIC; THINNESS 1,2-1,5
DEN. INTENDED FOR MIXTURE WITH COTTON FABRIC.

B) 5000 TONS OF FABRIC TO BE MIXED WITH WOOL. EIGHTY
PER CENT OF THIS AMOUNT SHOULD BE OF 4 DEN THINNESS, WHILE THE
REMAINDER SHOULD BE OF 3,2-6 DEN THINNESS. THERE SHOULD ALSO
BE CAPACITY FOR PRODUCTION OF MATERIAL OF "LOW-PILING" QUALITY.

C) 4000 TONS OF "FILAMENT," OF THE FOLLOWING TECHNICAL SPECIFI-
CATION:

--DTEX 50/20 "FIBRILS," ABOUT 15 PERCENT OF TOTAL QUANTITY
--DTEX 76/24 "FIBRILS," ABOUT 15 PER CENT OF TOTAL QUANTITY
--DTEX 100/36 "FIBRILS," ABOUT 35 PER CENT OF TOTAL QUANTITY
--DTEX 167/34 "FIBRILS," ABOUT 35 PER CENT OF TOTAL QUANTITY
FIFTY PER CENT OF THIS PRODUCTION IS INTENDED FOR TEXTURI-
ING, USING THE SEQUENTIAL OR THE SIMULTANEOUS PROCESS.

D) 1000 TONS OF FILAMENT OF "HIGH TENACITY" QUALITY, OF
FOLLOWING TECHNICAL CHARACTERISTICS:

--DTEX 140/24 "FIBRILS"
--DTEX 280/48 "FIBRILS"
--DTEX 550/100 "FIBRILS"
-- DTEX 1100/200 "FIBRILS"

4. THE FOREIGN PARTNER SHOULD BE ABLE TO PROVIDE ASSISTANCE
IN ALL PHASES OF THE PROJECT, INCLUDING ENGINEERING AND
PROJECT MANAGEMENT, PRODUCTION TECHNOLOGY, PURCHASE AND INSTAL-
LATION OF PRODUCTION EQUIPMENT, AND ASSISTANCE IN ARRANGING
FINANCING. VARTEKS WOULD PREFER FOREIGN PARTICIPATION IN THE
FORM OF A JOINT VENTURE; WITH THE FOREIGN PARTNER ASSUMING 25-33
PER CENT OF THE EQUITY IN THE PROJECT. VARTEKS ANTICIPATES
THAT THE NEW FACTORY WILL BE ABLE TO RECOUP ALL
INVESTMENT COSTS AFTER SIX YEARS OF OPERATION. VARTEKS WILL
PROCESS THE FABRIC PRODUCED BY THE NEW PLANT INTO FINISHED GOODS,
MAJORITY OF WHICH IS INTENDED FOR THE YUGOSLAV MARKET.
SUBSTANTIAL PORTION, HOWEVER, WILL BE EXPORTED, PRIMARILY TO
WESTERN EUROPE AND THE SOVIET UNION. VARTEKS HOPES THAT
FOREIGN PARTNER WILL PARTICIPATE IN EXPORT MARKETING.

5. VARTEKS IS YUGOSLAVIA'S LARGEST PRODUCER OF TEXTILES.
IT EMPLOYS 8,300 PERSONS, AND IN 1974 ITS GROSS
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INCOME WAS MORE THAN DOLS 65 MILLION. IN 1974 IT PRODUCED
2,660 TONS OF WOOL AND MIXED WOOL YARN, FROM WHICH IT MANU-
FACTURED 1,700,000 PIECES OF GARMENTS. VARTEKS HAS 190 SALES
OUTLETS THROUGHOUT YUGOSLAVIA. IN 1973 IT EXPORTED GOODS
VALUED AT DOLS 12 MILLION TO 14 COUNTRIES IN EUROPE
(INCLUDING THE US) AND AMERICA.

6. COMMENT: VARTEKS' PROJECT MAY BE IN COMPETITION WITH THE

PLANS OF ANOTHER CROATIAN TEXTILE FIRM, PAZINKA OF PAZIN, TO ESTABLISH A SIMILAR FACILITY. REPRESENTATIVES OF PAZINKA HAVE DISCUSSED A JOINT VENTURE VALUED AT CIRCA DOLLAR 25 MILLION, IN THIS FIELD, WITH SEVERAL US FIRMS, REPORTEDLY INCLUDING CHEMTEX. PAZINKA PLANS TO MARKET PART OF ITS PLANT'S PRODUCTION IN US.

7. VARTEKS REPRESENTATIVES BELIEVE THAT THE PRESENT LACK OF ENOUGH YUGOSLAV REFINERY CAPACITY TO PRODUCE REQUIRED RAW MATERIALS FOR BOTH FACTORIES PROBABLY WILL PREVENT REALIZATION OF THE PAZINKA PROJECT. VARTEKS INFORMED US THAT ITS PROJECT HAS BEEN INCLUDED IN THE PLAN COVERING THE ECONOMIC DEVELOPMENT OF CROATIA FROM 1975-1980.

8. WE ARE FORWARDING VIA AIR POUCH AN INFORMAL TRANSLATION OF A DETAILED PROPOSAL PROVIDED US BY VARTEKS.
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